



# American Water Works Service Company, Inc.

**Southeast Region** (Georgia, Kentucky, Maryland, Tennessee, Virginia, West Virginia)  
P.O. Box 1906 • Charleston, West Virginia 25327-1906

TRA DOCKET ROOM  
JUN 4 2003

**RECEIVED**  
TN REG. AUTHORITY

JUN 5 2003

Tennessee Regulatory Authority  
Attn: Mr. Mike Gaines  
Chief, Energy and Water Division  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**ENERGY & WATER DIVISION**

Re: Petition of Tennessee-American Water Company to Change and Increase  
Certain Rates and Charges so as to Permit it to Earn a Fair and Adequate Rate of  
Return on its Property Used and Useful in Furnishing Water Service to its  
Customers  
(TRA Docket No. 03-00118)

Dear Mr. Gaines:

Enclosed are an original and thirteen copies of the responses to the third set of  
data requests from the Tennessee Regulatory Authority.

Should you have any questions regarding this information, please do not hesitate  
to call.

Sincerely,

Sheila Valentine  
Senior Financial Analyst

Enclosure

cc: T. G. Pappas, Esq.  
Vance L. Broemel, Esq.  
Shilina B. Chatterjee, Esq.  
Henry M. Walker, Esq.  
David C. Higney, Esq.  
Michael A. McMahan, Esq.  
W. E. L'Ecuyer

RECEIVED

2003 JUN -9 AM 9:55

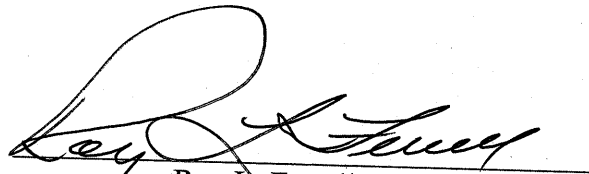
T.R.A. DOCKET ROOM

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA, TO-WIT:

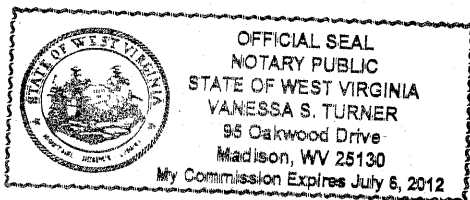
**AFFIDAVIT**


I, Roy L. Ferrell, Director Rates & Planning, being first duly sworn, do hereby certify that the foregoing responses to the Third Data Request from the Tennessee Regulatory Authority were prepared by me or under my supervision and are true and accurate to the best of my knowledge and information.

  
Roy L. Ferrell

Taken, subscribed and sworn to before me this 4<sup>th</sup> day of June, 2003.

My commission expires July 6, 2012.



  
Notary Public

**Interrogatories and Requests for Production  
Of Documents by the Staff of the  
State Corporation Commission (Third Set)  
To Tennessee-American Water Company  
Rate Case No. 03-00118**

1. Q. Provide a reconciliation of the amortization of the costs of the conversion to a Consolidated Telephone Call Center and a Shared Services Center shown separately on Exhibit MAM-4 and Valentine testimony page 8, lines 19 and 20.

CTC	MAM-4	\$87,262
	Valentine Testimony	\$48,200

SSC	MAM-4	\$35,948
	Valentine Testimony	\$64,400

Explain reasons for these differences.

- A. The amounts referenced in Ms. Valentine's testimony are incorrect. The amortization of the costs of the conversion to a Consolidated Telephone Call Center and a Shared Services Center is correct as detailed on Exhibit MAM-4.

**Interrogatories and Requests for Production  
Of Documents by the Staff of the  
State Corporation Commission (Third Set)  
To Tennessee-American Water Company  
Rate Case No. 03-00118**

2. Q. Provide a reconciliation of the savings from the move to a Consolidated Call Center and a Shared Services Center shown on MAM-4 and Miller testimony page 24, line 5 and Miller testimony page 28, line 5.

CTC	Miller Testimony	\$744,032
	MAM-4	\$748,642
SSC	Miller Testimony	\$573,842
	MAM-4	\$636,303

Explain reasons for these differences.

- A. Neither of the amounts listed above refer to savings as a result of the move to a Consolidated Call Center and a Shared Services Center.

The \$748,642 on Exhibit MAM-4 is the reduction of expenses eliminated as a result of moving into the consolidated call center. The annual savings referenced in Mr. Miller's testimony, \$744,032, is incorrect. The net savings is \$44,522 as detailed on the attached copy of Exhibit MAM-4.

The \$573,842 referenced in Mr. Miller's testimony as a reduction in expenses in moving to the Shared Services Center is incorrect and inconsistent with Exhibit MAM-4. The correct amount is \$636,303 as detailed on the attached copy of Exhibit MAM-4. The actual cost savings due to conversion to the consolidated shared services center is \$150,470.

**TENNESSEE-AMERICAN WATER COMPANY  
COMPARISON OF ANNUAL COST FOR THE CONVERSION  
TO A CONSOLIDATED CALL CENTER AND "SHARED SERVICES" CENTER**

**CONSOLIDATED TELEPHONE CALL CENTER ("CTC")**

Forecasted annual cost for operating the CTC	\$616,858
Plus Amortization of the transition cost      \$872,617 / 10 years =	87,262
Total Cost for CTC	<u>\$704,120</u>
 To reflect the elimination of 12 positions Plus overhead at TAWC	 (662,609)
To eliminate temporary positions	(51,057)
To eliminate various O & M expenses-base year 12 months ended July 31, 2002	 (34,976)
Total Cost eliminated	<u>(748,642)</u>
 Annual cost (savings) due to conversion to consolidated call center	 <u><u>(\$44,522)</u></u>

**SHARED SERVICES CENTER ("SS")**

Forecasted TAWC annual cost from the SS	\$338,526
Plus Amortization of the transition cost      \$359,480 / 10 years =	35,948
Forecasted TAWC annual finance department cost from the Southeast Region	111,359
Total cost for SS and finance function	<u>485,833</u>
 To reflect the elimination of 4 positions Plus overhead at TAWC	 (264,057)
To eliminate regional accounting functions - Marlton office	(372,246)
Total Cost eliminated	<u>(636,303)</u>
 Annual cost (savings) due to conversion to consolidated shared services center	 <u><u>(\$150,470)</u></u>